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ABSTRACT

A statewide task force established to improve educational equity in New York State describes its activities and results in this report. The task force chairman's letter of submittal discusses the Levittown v. Nyquist decision that led to the task force's formation and reviews the group's deliberations. The report then summarizes task force recommendations regarding the state's basic aid formula, unequal student needs, measures of fiscal capacity, fiscal overburden, state aid formulas other than basic aid, property and income taxes, tax limitations, and the costs of implementing the recommendations. The background of the Levittown case and the nature of the plaintiffs' financial problems are discussed next, as part of the introduction to the task force's research. The report's final section outlines these research activities and results, in two areas. In the first area, student needs, five research studies looked at special student needs, gifted and talented students, costs of school programs, special funding for grades K-3, and basic education in primary grades. In the area of fiscal capacity and overburden, six research projects examined New York State school districts' fiscal capacity and cost differentials, tax base equalization, municipal overburden, and rural school funding. (RW)

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The Report and Recommendations

of

The New York State Special Task Force

on

Equity and Excellence in Education

February 1982

EA 014 809

Volume One

NEW YORK STATE SPECIAL TASK FORCE ON EQUITY AND EXCELLENCE IN EDUCATION

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February 1, 1982

Governor Hugh L. Carey
and
Chancellor Willard A. Genrich

Dear Governor and Chancellor:

Submitted herewith is the Report, with recommendations, of the Task Force.

The announcement of the creation of this Task Force on September 22, 1978, stated that it was "the direct result of the decision of Justice L. Kingsley Smith in the Levittown case declaring unconstitutional New York's present system of school finance."

"The charge of the Task Force is to assemble the necessary background on issues of equalization *** and to prepare alternative approaches to a solution."

To summarize briefly the decision of Justice Smith, the suit before him, instituted by a group of suburban school districts, challenged the program of aid to education maintained by the State as in violation of the education clause[1] and the equal protection clause[2] of the State Constitution and the 14th Amendment of the Federal Constitution.

This State recognizes that great differences in tax-raising abilities exist among the 700 school districts of the State. It undertakes to reduce gross disparities in educational expenditure by a program of supplemental aid. Concededly, the

---

1. Art. 11, §1: "The legislature shall provide for the maintenance and support of a system of free common schools, wherein all the children of this state may be educated."

2. Art. 1, §11: "No person shall be denied the equal protection of the laws of this state or any subdivision thereof."

present formula is progressive in that it gives more assistance to poor districts than to rich ones. However, the Court held that it fails in the objective of equalization because gross disparities in education expenditure continue to exist.

The Court found that there is a direct, although not exact, relationship between wealth and expenditure, and a direct, although not exact, relationship between expenditure and quality. Thus the quality of education which a child receives depends upon the accident of whether he lives in a property-rich or a property-poor district. This, the Court found, is unconstitutional discrimination under the education clause and the equal protection clause of the State Constitution.

Four of the five large cities of the State intervened in the case, claiming that the aid formula is unconstitutional as to them because, in measuring their fiscal capacity, it fails to take into account four over-burdening conditions which they must bear.

One is municipal overburden - that is, the drain on large city tax dollars caused by the need to provide an enormous amount of non-educational services which suburban and rural districts do not bear.

The second is cost overburden - the diminished value of the urban dollar allocated to school purposes because of higher cost factors.

The third is absenteeism overburden. The present aid formula is based on average daily attendance, not on school enrollment. The large cities, particularly New York City, have much higher rates of absenteeism than other districts. The Court held that the causes of this high absenteeism are social, economic and environmental conditions beyond the control of the schools.

The fourth is an educational overburden - the increased costs caused by the far greater concentration and numbers of disadvantaged, handicapped and other students with special needs.

Justice Smith upheld these claims and held the formula unconstitutional on these grounds as well.

The case was appealed to the Appellate Division, which rendered its decision on October 26, 1981 (four Justices sitting).

Three of the Justices affirmed the decision of Justice Smith that the aid program is in violation of both the education and the equal protection clauses of the State Constitution. The fourth Justice dissented with respect to the holding of violation of the equal protection clause. However, he opined that the formula violates the education clause only because its provisions are such a labyrinthine maze that it does not constitute a "system" within that clause.

The Court unanimously reversed the holding of Justice Smith that the aid formula is in violation of the 14th Amendment of the Federal Constitution.

There has been some misunderstanding of the Courts' ruling with respect to the use of real property taxes to support public education. Both Courts upheld the use of such taxes.

Decretal clauses 2 and 3 of the lower court judgment were:

> "2. The use of local school districts in providing a system of free public schools does not violate the Constitutions of the State of New York or of the United States.
>
> "3. The use of locally imposed real property taxes to support a system of free public schools or for other governmental purposes does not violate the Constitution of the State of New York or of the United States."

These clauses were affirmed by the Appellate Division.

You designated a Task Force made up of "representatives of business, industry, labor and farming, local government officials, school boards and administrative officials, parents, teachers, and taxpayers."

There are competitions within education itself. Different areas of the State have different needs. There are competing categories of school children - the handicapped, the gifted, the average or ordinary youngsters. The urban districts, the suburban districts and the rural districts have particular and differing concerns. It was clear, therefore, that the members, some with specific constituencies, bring to the effort varying perceptions and particular concerns. In the determination as to what constitutes equitable distribution of education funds, judgments, value laden, must enter.

It was inevitable that there would be differences of opinion, strongly held. Although effort has been made to achieve consensus wherever possible, this Report reflects differing opinions as to what a reformed formula should contain. However, substantial consensus has been reached on several issues.

To achieve unanimity would require a dilution of recommendations to the point of no value. Our disagreements are born of legitimate differences of opinion, as surely must have been anticipated in the creation of so disparate a Task Force. I am pleased to report that we have been a group very diverse but only seldom discordant.

Some of us (including the Chairman) felt that we should not attempt to submit a single, comprehensive package of proposals. Such a package or plan would necessarily include a number of provisions and elements. Disagreement with any one or more of these would require dissent from the total.

However, some members felt that they could construct several packages or plans for illustrative purposes only and that these should be submitted in this Report. They are, therefore, set forth in a separate chapter.

This Report, although self-contained, may also be read in the context of our two Interim Reports. These reports presented a review and analysis, with supporting tables and charts, of the extensive research effort. However, to have included such review in this Report would have made it of impermissible length.

We are not a legislative body. All we can do is advise. We cannot implement the advice. Therefore, a process of bargaining and trade-offs to reach a compromise - a process entirely proper on the part of governing bodies - would be improper for us. It is our duty to offer you our sincere judgments, and reconciliation of varying recommendations must be left to the Governor and Legislature.

Therefore, I believe that we can offer maximum assistance by treating the issues individually and separately.

Included in this Report are summaries of research on several issues. A reading of these will serve to illuminate the problems involved.

We undertook to engage thorough research on a number of problems. We did so in an effort to be certain that all possible options would be studied. To have overlooked an option would have rendered our Report vulnerable to the charge of incompleteness. The research also included such responsiblities of the State program as transportation aid, building aid, and BOCES. Although these are not within the term of "operating aid," they amount to an annual charge of some $700,000,000 and therefore, for our analysis to be complete, such items had to be considered.

The research data and studies will be turned over to the State Education Department. They will constitute a valuable library of information for use by the staffs of the Governor, the Legislature and the Board of Regents. Some will, of course, require updating.

We were directed to submit our Report after widespread public discussion. A series of meetings, to which the interested public was invited, was held throughout the State after the publication of our first Interim Report, and again after the submission of our second Interim Report. The minutes of these town meetings, conducted by Ms. Nancy Gaeta, our Director for Program and Research, were then digested and provided to all members of the Task Force.

Your charge to the Task Force stated, "A fiscally sound yet constitutionally acceptable revision must be identified."

Obviously, the Task Force is not in a position to state with authority precisely what extent of revision would make the formula constitutionally acceptable. It is hoped that the proposals contained herein will be sufficient to achieve constitutionality.

As to what constitutes "fiscal soundness," there also can be no precise definition, and the views of the members, of course, vary. Indeed, differences between the executive and legislative branches of the State government as to fiscal capacity or responsibility and even differences between the two houses of the Legislature have not been unknown to history.

This Report has been developed on the basis that every member has the right to express and record his or her position on every relevant issue. Neither the Chairman nor even a majority is entitled to suppress any comment or expression of opinion by any member.

All members were invited to make individual statements on any issue because no writing on behalf of some 35 members can be expected to reflect either the particular argument or emphasis which a member may wish to record.

When the word "excellence" was added to our title, it was explained that the intention was only that the achievement of equity should not be at the price of decreasing quality.

We are not a group of professional educators, We are not equipped to pass judgment on the varying techniques of pedagogy which are the subjects of dispute among educational scholars, or on how best to train teachers. But we do believe that sound proposals to make aid to education more equitable, provision for the gifted as well as the handicapped, recognition of the importance of the early grades - all of these would be a constructive contribution to the goal of excellence.

A formula can only provide for a fair distribution of funds. No matter how soundly conceived, it cannot make a local educational operation efficient or effective. This is the responsibility of the local school board and administration with adequate monitoring by the State Department of Education.

We were also directed to report on possible solutions for the problems of cities affected by the Hurd and related decisions. Our report on this subject is a separate chapter.

Throughout the existence of the Task Force, we have had the full support of Commissioner Gordon Ambach, of the State Education Department, and the Governor's office. I would like to express thanks to Dr. Robert Lamitie, Administrator, Educational Finance and Research Services in the State Education Department; Ms. Lois Wilson, Assistant Chief Budget Examiner, Division of the Budget, and to Ms. Nancy Gaeta, our Director of Program and Research. They have been indefatigable in their work and assistance to the efforts of the Task Force.

Of course, we do not know what the outcome as to constitutionality will be in the Court of Appeals. But we do know that serious inequities exist in the present formula. In the education of children, the demands of morality are as compelling as the commands of legality.

Respectfully submitted,

Max J. Rubin

MJR:pr

SUMMARY OF RECOMMENDATIONS

PURPOSE

The Task Force on Equity and Excellence in Education was appointed in September 1978 by Governor Hugh L. Carey and Board of Regents' Chancellor Theodore M. Black. Its purpose was to recommend alternatives to New York State's current system of funding public education in response to a June 1978 State Supreme Court decision in Levittown v. Nyquist. In October 1981 the Appellate Division, Second Department, largely upheld this lower court's ruling. These decisions found the system unconstitutional because it had allowed school expenditures, and therefore educational opportunity, to vary with the property wealth of school districts. Futhermore, they upheld the claim of the four city plaintiff-intervenors that the state aid-to-education formula discriminated against children in their schools by overstating their capacity to fund education and therefore unfairly depriving them of aid.

The 34 members of the Task Force, chaired by Max J. Rubin, represent a diverse group of school and government officials and representatives of business, labor, education and civic groups. Despite the variety of their constituencies, however, they all agreed that a new financing method was needed that would distribute funds more equitably while encouraging quality education in the public schools of the state.

Futhermore, after reviewing the commissioned research they confirmed the courts' findings that vast disparities in wealth and expenditures among school districts existed and were reflected in differences in educational services. Therefore, they agreed that to provide equal educational opportunity for all children regardless of where they live, a funding system must diminish those disparities, and, at the same time, allow unequal expenditures for the unequal needs of some children and some school districts.

MAJOR RECOMMENDATIONS

I. Basic Formula Structure

The Task Force believes that the failure of the current formula lies, not in its basic structure, but in the specific elements of that formula. Therefore, it unanimously recommends:

> The state should retain a two tier percentage equalizing formula, with adjustments.

1. Setting The State Supported Expenditure Level

Primary among these elements is the formula's expenditure ceilings. Because it is defined in statute as a fixed dollar amount, it tends to equalize a smaller portion of actual education expenditures as spending rises over time. Therefore, the Task Force unanimously recommends:

> The state should design its future school aid statutes with percentiles of spending.

Futhermore, because expenditure ceilings are currently set so low (at the current $1,885 ceiling the operating aid formula shares in the full cost of only 3 percent of the state's schoolchildren), they equalize only a small portion of actual spending. Expenditures in excess of the ceiling then remain entirely dependent on taxing local property wealth. The Task Force unanimously recommends:

> The state should raise the expenditure ceilings on both tiers so that the state shares in a larger percentage of actual costs.

The Task Force proposes, as a goal, that school costs statewide should be equally supported by local and state revenues.

Members were in less agreement about the exact level of those ceilings. A substantial majority recommends:

> The state should adopt a formula with a first tier expenditure ceiling set at the state average and a second tier at the 75th percentile.*

A minority of the Task Force proposes that the first tier level should be more moderate, perhaps at the median level (or 50th percentile) of spending and the second tier should provide a relatively small amount of additional aid.

2. Local Fiscal Behavior

The effectiveness of higher ceilings in raising the actual expenditures of low-spending districts depends on local fiscal behavior. If districts choose not to increase their spending to the ceiling level, large statewide expenditure gaps will remain. If state aid is denied to these districts, the link between spending and wealth will persist. Three means of encouraging low or below-average spending districts to increase their local contributions were considered. The first would require districts to spend at the ceiling level to receive their full aid entitlement. The second was a minimum expenditure or tax effort requirement. A third method, called maintenance-of-effort, would prohibit districts which spend less than the average from reducing their local share. In the past New York State statutes required

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*The percentiles used in this report rank pupils according to their approved operating expenditure. The district at the 75th percentile is the district below which 75 percent of the children are ranked.

districts to spend at the ceiling, but the Legislature has repealed this requirement. The Task Force was divided on the advisability of this approach. However, a sizable majority approved the second approach, recommending:

> The state should require every district to meet a minimum local expenditure set at a specific percentage of the formula ceiling or a minimum tax effort set at a specific percentage of the average tax effort.

Futhermore, to assure that low-spending local districts use increases in state aid to enhance educational programs and not for tax relief, the Task Force strongly recommends:

> The state should impose a maintenance of effort requirement only on districts with below average per pupil expenditures.

The above local fiscal controls attempt to narrow expenditure disparities by raising the lowest levels of spending. At the other end of the spending gap are those districts whose high property wealth enables them to spend two or three times as much as the average district. While about half the Task Force members believed that the goal of reducing expenditure gaps required mechanisms (such as limits in state aid increases) to discourage such high spending, the other half believed that an overriding issue was the freedom of local districts to support the best education they could afford, if they so wished.

3. Exceptions To The Equalizing Formula

Another element in the current school aid system which affects spending in property-rich districts is the

$360 per pupil flat grant for districts whose wealth otherwise entitles them to less than that amount of formula aid. The court specifically cited this provision as disequalizing and there was no support on the Task Force for retaining it as it is currently designed. A substantial majority recommends:

> The state should phase out the flat grant provision of the operating aid formula.

A sizeable minority supported a basic minimum aid guarantee to which all districts would be entitled.

Another factor criticized by the court was the "save harmless" provision which protects districts from aid losses due to declining enrollment or increasing wealth. The Task Force believes these problems should be addressed directly and that save harmless distorts the impact of any equalizing formula. It strongly recommends:

> All save harmless provisions should be phased out.

However, a large majority of Task Force members believe that declining enrollments do present real financial problems for districts because they cannot reduce costs in direct proportion to enrollment loss. Therefore, they recommend:

> The state should allow districts to use either current pupil counts or a two or three year average count when calculating state aid; whichever is higher.

4. Pupil Count

The pupil count is integral to both the distributional and the fiscal capacity sides of the formula.

Therefore, the way pupils are counted has a doubly significant effect on a district's aid. The current method of counting pupils in average daily attendance has been criticized by the courts as discriminatory against cities with lower attendance due to inexorable socio-economic conditions. Although schools must provide for all enrolled students, this cost is not acknowledged in the formula. Therefore, a large majority of the Task Force recommends:

> The state should use the count of active enrollment * for pupils in the state aid formula.

To combat the fear that schools might discontinue their efforts to bring truants back to school, the Task Force further recommends:

> The state should require districts with high absentee rates to develop acceptable programs for improving attendance.

5. An Alternative System

All the foregoing recommendations represent modifications of the current funding system which combines local property taxes and general state revenues. However, it did consider a more radical departure from current practice. The plan proposed using the revenues from a new uniform county tax for distribution on an equal per pupil basis within each county. Task Force members found this approach warranted further inquiry. A substantial majority recommended:

> The state should conduct further research on the use of statewide or countywide taxes as a funding system for education.

*Active enrollment includes all registered students minus those who did not attend for a specified previous period.

II. Student Needs

At the core of the Levittown decision and the Task Force's deliberations is the desire to provide for every child an appropriate education. The Task Force has proceeded on the principle that to provide unequal funds for unequal needs is as important a goal as reducing disparities. The school aid formula has long recognized different student needs and the different costs they incur through extra weightings on the pupil count, categorical grants or excess cost formulas. The Task Force would retain these methods but recommends adjusting them to be more reflective of actual cost differentials.

1. Special Needs

One of the urban overburdens identified in the Levittown decision and affirmed by the Appellate Division was education overburden. Where students with special needs who require supplementary services are concentrated more heavily in some districts than others, the extra costs of educating those children falls unfairly on local resources if state aid does not compensate for them. Indeed, Task Force research confirmed that the extra weighting in the current formula fell short of covering the additional cost of providing remedial services to children who performed poorly on standardized tests or to those with limited English proficiency. Therefore, based on state average actual costs, a large majority of Task Force members recommend:

> The state should provide weightings of .35 for Pupils with Special Educational Needs (PSEN) and .40 for pupils with Limited English Proficiency (LEP).

Many Task Force members further believed that where educationally disadvantaged children constitute a large proportion of the school population, per pupil remedial costs rise. To compensate for this and to

enable districts to provide adequate services under these conditions, a substantial majority of the Task Force recommends:

> The state should provide an additional weighting for Pupils with Special Educational Needs in districts with high concentrations of these students.

2. Students with Handicapping Conditions

Task Force members had numerous concerns about the equity and adequacy of current state formulas for funding programs for children with handicapping conditions. Fueled by legal mandates, costs for these programs have risen precipitously. Although the weights in the existing formula recently have been upgraded to more accurately reflect costs, many Task Force members felt that applying such weights to the formula as currently designed resulted in insufficient aid to meet the needs. Believing that the state has fiscal responsibility for mandated services, a large majority of Task Force members recommend:

> The state should pay the approved excess cost of educating handicapped children.

Furthermore, Task Force members see no justification for the present practice of reimbursing districts at a lower rate for handicapped children educated in public schools than for the tuition of those educated in private schools. Almost unanimously, they recommend:

> The state should use the same formulas for aiding the education of handicapped children whether in public or private schools.

3. Grade Weightings

Additional weight for secondary school students in the school aid formula has been traditional in New York State. It has been justified because of the acknowledged additional cost of providing secondary school students with more specialized, more technical and more advanced programs. Others argue that grade weightings should be used to encourage the devotion of extra resources to particular age groups, not merely to reflect existing practices. Furthermore, unlike special needs weightings, there is no requirement for districts to use the additional funds for students in those grades. Generally, however, the Task Force favored the current system of grade weightings, recommending by a substantial majority that:

> The state should maintain its present policy of distributing additional aid for certain grade levels through a weighting system, including a .25 weighting for grades 7-12, and no additional weighting for primary students.

Recognizing recent research which demonstrates the positive influence of early childhood education, the Task Force additionally recommends:

> The state should provide aid for prekindergarten programs as a part of state operating aid.

4. Gifted and Talented Education

Another special needs population that is often overlooked is the gifted and talented. The state has provided limited money for these children only since 1979. The Task Force as a whole believes that these funds should be enriched. More of an issue was how to identify qualified students and how to allocate the funds among districts.

Departing from its prior use of competitive grants, the 1981 Legislature distributed funds to all districts in the amount of $40 per pupil for three percent of the students. The Task Force rejected this method of distribution, preferring an equalizing formula:

> The state should institute an equalized state aid formula for gifted and talented pupils, incorporating the first tier operating aid ratio and a count based on three percent of a district's pupils.

III. Fiscal Capacity Measure

The objective of an equalizing formula is to compensate districts for their inherently unequal capacities to support education. School finance has traditionally defined this capacity as the amount of district wealth a district can call upon to support its schools. Aid is then distributed in inverse proportion to that district wealth, so that districts then can have an approximately equal amount of resources available when local and state revenues are combined. In order for this theory to work, state aid must be adequate to compensate for the wealth differences, and the district wealth measurement must accurately reflect a district's ability to pay for education. In the Levittown case, the judges ruled that the state had failed on both counts. They found that district wealth remains the primary determinant of school spending, and that, in the case of the urban intervenors, the measure fails to recognize several factors that diminish the cities' ability to pay for schools.

1. Property Wealth and Income Wealth

Until recently, the sole gauge of school district wealth has been the value of its taxable real estate, which is the tax base available to school districts. However, because people typically pay property taxes out of their income, and district income is not necessarily correlated

with its property value, many analysts believe that taxpayers' ability and willingness to pay property taxes depend on their income levels. In fact, Task Force research showed that income was equally as important as property wealth in determining a district's school spending level. Therefore, a sizable majority recommends:

> The state should use income in combination with property wealth to measure school district fiscal capacity in both tiers of the operating aid formula.

The arithmetic method of combining income and property wealth in the formula substantially influences the resulting wealth measure. Believing that income needed to be a powerful and interactive modifier of wealth, a majority of the Task Force recommends:

> Income should be used to adjust property wealth multiplicatively.

The relative power of property and income in measuring wealth is also determined by the extent to which each is used. The same majority recommends:

> Income and property should be given equal weight in accounting for fiscal capacity.

2. Appropriate Denominator

The total wealth of a district must be related to its size in order to compare districts' wealth with one another. That is, the capacity measure must take into account the size of the population drawing upon the wealth base. In the formula, this is expressed by dividing the wealth by a number of people. Historically, this denominator has been a pupil count, on the grounds that pupils are the population served by a school district.

However, because the tax base is shared by all the residents of a district, and the same base must be used to fund non-school services as well, a majority of the Task Force recommends:

> The state should use a total population denominator, i.e., a per capita wealth measure, to determine fiscal capacity in the school aid formula.

IV. Overburdens

The existence of "overburdens," that is that certain kinds of districts suffer extraordinary strains on their resources because of their particular circumstances, was affirmed by both the Supreme and Appellate Courts. They specifically criticized the state aid formula for failing to compensate big city school districts for their overburdens--municipal, educational, cost and absenteeism.

Task Force research has confirmed the reality of overburdens, and has uncovered their presence in other districts beside the four urban intervenors. Two of these overburdens are addressed previously--absenteeism by the recommended enrollment count, and education overburden by the recommended enriched weightings for special needs students and the concentration adjustment. In addition to the two remaining overburdens cited by the courts, the Task Force has addressed the special fiscal problems of rural school districts.

1. Municipal Overburden

The contention that certain communities, especially large cities, have substantially greater public service needs, and correspondingly higher tax burdens is irrefutable. The Task Force was unanimous in agreeing that the state should address the municipal overburden problem, but was divided on whether assistance should come through

the school aid formula or through general revenues. While a substantial minority recommends the latter approach, a small majority recommends:

> The state should adjust the present measures of fiscal capacity by a municipal overburden factor. Such an adjustment should include one or a combination of factors such as population density or the percentage of the population living in poverty.

Since research revealed that municipal overburden exists in a number of districts other than the urban plaintiffs, a majority of the Task Force further recommends:

> The state should provide additional compensation for all districts whose socio-economic characteristics qualify them for municipal overburden aid.

2. Cost Factors

As in the case of municipal overburden, the Task Force similarly agreed with the courts' findings and research evidence that substantial differences in the cost of providing education exist among the regions and the school districts of New York State. They further agreed that the state aid formula should compensate for these cost differences, although they differed on the specific mechanism. Because of the difficulties of constructing reliable and non-inflationary indices based on education costs alone, a majority recommends:

> The state should use a noneducation cost index, such as a county public sector wage index or cost-of-living index, to adjust for regional cost differences.

3. Rural Overburden

Because of their small size, sparse population, and geographic isolation, rural school districts are subject to unique costs. Transportation costs, small class sizes, and declining enrollment drain their resources. Futhermore, though low-spending, many contribute very high portions of their income to school taxes. Here again, the Task Force unanimously agreed that the state aid formula should compensate rural school districts for their unique overburdens, but differed on the method. A substantial majority recommends:

> The state should develop a rural overburden adjustment to include small size and sparse population, and to vary based on the total number of pupils and pupils per square mile. This factor could be a formula fiscal capacity adjustment or a separate categorical program.

V. Other State Aid Formulas

Several education services are funded outside of the operating aid formula, including transportation, building and Boards of Cooperative Educational Services (BOCES). Although the aid formulas for these functions were not challenged in the Levittown case, the Task Force reviewed them with an eye to constructing a more equitable system overall. Futhermore, they represent a substantial portion of state and local school funds.

1. Transportation Aid

The current transportation aid formula reimburses districts for 90 percent of the approved transportation costs of the prior year. Although a substantial minority

preferred an equalizing formula similar to operating aid, the majority, recognizing that most transportation costs are beyond the control of the districts, recommends:

> The state should retain its current method of aiding district transportation costs.

2. Building Aid

Unlike transportation aid, building aid is distributed through an equalizing formula. However, that formula was criticized on several accounts by Task Force research, and a large majority of members recommend:

> The state should adopt a building aid formula which:
>
> - o uses the operating aid pupil count,
> - o permits advance site purchase,
> - o adjusts for actual site costs,
> - o allocates aid to New York City on a borough basis,
> - o allows both multiple and single cost construction contracts.

3. BOCES Aid

The 44 Boards of Cooperative Educational Services in New York State, by enabling districts to share certain services and expenses, serve as great tools for equalization. All Task Force members agreed that the BOCES aid formula needed to be modified. Half endorsed the following changes:

> The state should adopt a BOCES aid formula which:
>
> - o is more strongly equalizing,
> - o modifies the millage formula,
> - o eliminates save-harmless provisions,
> - o provides aid for the Big Five Cities.

The other half supported one or both of the following modifications only which would:

- o extend BOCES aid to the five largest city school districts.
- o eliminate the ceiling on aidable salaries.

VI. Circuit Breakers

Task Force research revealed that the school property tax is extremely regressive, especially in some areas of the state. Some members were also concerned that local tax increases to replace state aid reductions to some wealthy districts might further burden poor residents of those districts. In general, they endorsed the use of income tax relief when property tax payments exceed some portion of household income, but thought this was not part of school aid, and should not be a subject of Task Force recommendations.

VII. Hurd City School Districts

The Task Force expended a great deal of effort investigating the problem of cities and city school districts with constitutional tax limitations (commonly called Hurd cities after a court case affecting them). These problems could, and indeed have been, a subject for an entire separate commission and report. Task Force research demonstrated that many of the predictors of the financial strains in Hurd-affected school districts were ones which could be alleviated by changes in the school aid formula, including low property wealth and concentrations of pupils with special education needs.

In addition, the Task Force strongly recommends that:

The state should pursue all of the following methods of addressing the problems of Hurd:

- o seek passage of a Constitutional amendment to eliminate or replace with more flexible provisions the current city school district tax limits;
- o investigate transferring certain non-instructional functions to another level of government;
- o direct additional school aid to Hurd-impacted districts;
- o develop broader tax bases.

VIII. Cost and Implementation

An important consideration throughout Task Force deliberations has been its charge to produce recommendations that would be fiscally responsible. This was interpreted to mean that the costs of reform would not be injurious to the fiscal soundness of the state or of local school districts. Members were also concerned that its recommendations receive serious consideration by the Legislature. Therefore, it has constructed a series of illustrative plans to demonstrate how its recommendations could be implemented. Recognizing the potentially high cost of some of the recommendations, members have worked together to scale down and adjust some of them, while retaining their basic principles. In addition, a majority of the Task Force favors phasing in changes from the current system over a few years.

A substantial majority of Task Force members endorsed the following school finance plan, for illustrative purposes:

- o Setting the expenditure ceiling at the state average and 75th percentile for the first and second tiers;
- o For districts not spending at the first tier statutory ceiling aid would be provided halfway between district spending and the ceiling level. All second tier aid would have to be earned;
- o A minimum aid guarantee of $360 per pupil;
- o Active enrollment;

- o Increased weightings for educationally disadvantaged students;
- o Categorical aid to districts with high concentrations of educationally disadvantaged students;
- o State funding of the approved excess costs of programs for children with handicapping conditions;
- o A fiscal capacity measure based on property per pupil and income per capita, weighted equally, and combined multiplicatively;
- o A further refinement of the fiscal capacity measure using a limited municipal overburden adjustment;
- o A limited cost adjustment;
- o A rural overburden adjustment.

This plan would increase the state contributions from its current $3.3 billion for operating aid and handicapped aid to $4.8 billion.

It would provide $1.5 billion in new state aid in a manner which would decrease expenditure gaps and substantially reduce the wealth and expenditure relationship. The Task Force endorses a phasing-in of a reformed finance system over a period of years. When fully implemented this plan would provide an average increase in aid of about $400 per pupil.

Other illustrative plans were endorsed by a minority of Task Force members. These plans emphasized different goals and included some different components, such as:

- o Setting the expenditure ceiling at the 50th and 60th percentiles in the first and second tiers;
- o A smaller minimum aid guarantee or none at all;
- o A declining enrollment provision;
- o Income per pupil as a separate equalized formula, or per return weighted equally with property;
- o A $10 per capita categorical municipal overburden formula.

These alternative proposals would add between an additional $500 million to $760 million to the current operating aid system. They would increase average state aid by between $150 to $225 per pupil.

INTRODUCTION

The Levittown suit was instituted in 1974 by 27 school districts, disparate in many characteristics but similar in others. Among the 27 were several large suburban districts such as Brentwood in Suffolk County with more than 18,000 pupils, a few very small districts such as South Kortright in Delaware County with about 550 students and two cities, Buffalo and Schenectady. A suburban district, Roosevelt in Nassau County, which is almost exclusively minority in population, was one of the 27. So was the very rural Marathon in Cortland County. The districts were diverse.

What brought them together in common purpose was the fact that all were below or nearly below average in property wealth and all were unable to support the level of spending and quality of education that they wanted for their children. The poorest of the districts could not maintain a tax effort even average for the state, and, despite receipt of equalizing state aid, their spending was well below the average. Some of the slightly better off districts, such as Levittown itself, sustained tax efforts one-and-a-half times the average. Yet their spending was not competitive with wealthier neighboring districts able to raise more in local funds at lower tax rates.

Despite their differences, the plaintiffs were in agreement that the state aid system for education was not equitable: the sum of what they raised locally and what the state contributed did not enable them to spend as much as wealthier districts did, or, without extraordinary local tax efforts, to meet their childrens' educational requirements.

Intervening in the original plaintiffs' suit were the cities of Buffalo, New York City, Rochester and Syracuse. Although also dissimilar in many respects, these cities identified another set of common problems, those typical of urban districts which, in being overlooked by the state aid formula, aggravated the disadvantages already experienced by city school children. The wealth of cities was overstated in the state formula, they argued, and the costs of educating their great numbers of educationally disadvantaged and handicapped youngsters were understated.

On the surface it would seem that the plaintiffs' and the intervenors' suit were in conflict. Only Buffalo, of the four cities, is below average in property wealth, and typically the cities have been about average in their spending. Thus, in terms of the original suit, these cities would not have been entitled to additional aid. However, the logic of the urban argument--sustained by the courts--is that if the cities' real fiscal capacities were accurately and fairly measured, they would be revealed as poor districts; and if the needs of their pupils were accurately and fairly assessed, state aid allocation for each child would be revealed as inadequate.

Research and analyses undertaken for the Task Force substantially confirmed the arguments of the 30 districts, demonstrating problems of a statewide, systematic nature. The Levittown court decision was based on 1974 data. The Task Force sought to update the court's findings, but even its analyses, based on the 1977-78 school year, are now dated. Nevertheless, subsequent inspection of more current data indicate that the 1974-75 trends still obtain. The range of spending differences among districts and the link between spending and local wealth in New York State remain among the most inequitable in the country, despite the comparatively high levels of spending overall and despite many changes and improvements made in the state aid formula since 1974.

For example, the state-set spending level for public education has been raised from $1,200 per pupil in 1974-75 to $1,885 per pupil in the 1981-82 school year, an increase of 57 percent. Since 1974 the state has allocated various additional funds under new formulas, in some cases for new purposes. These new programs include an excess cost aid formula for handicapped students, aid for the gifted and talented, grants for programs for pupils of limited English proficiency, aid for diagnostic screening of kindergarten pupils, aid for improving pupil performance and aid to remove asbestos from the schools. Income is now used in two ways in the formula. A low income supplemental school aid formula distributes about $25 million to compensate districts according to their income wealth. And local district fiscal capacity is measured in terms of income on the second tier of the current school aid system.

The total aid amount for operating expense purposes has increased from $2.31 billion to $3.42 billion from 1974-75 to 1981-82.

The legislature and governor have made other attempts to equalize the operating aid formula. At the time of the 1976 trial, 699 of the state's 708 major school districts were operating under the save harmless provisions of the 1974 statute. (Save harmless provisions guarantee that districts will not receive less aid in the current year than they did in the prior year.) In 1981-82, however, 308 school districts benefit from the save harmless. Of these 99 also receive flat grant aid. (Flat grant aid, $360 per pupil, is distributed to districts whose wealth otherwise qualifies them for less than $360 in aid.) In 1974-75 the flat grant amount of $360 per pupil represented 30 percent of the state-set expenditure ceiling which was $1,200; in 1981-82 it represents 19 percent of the tier two $1,885 expenditure ceiling.

In 1976-77 save harmless payments within the operating aid formula equalled $334 million; in 1981-82 save harmless and special aid payments, which are similar to save harmless, are expected to equal an estimated $100 million.

State aid increases for the intervening city districts have been greater since 1974-75 than for other major districts. Cities have benefited from some new categorical programs, increased aid for the handicapped and changes in the pupil count used in the fiscal capacity measure.

These efforts and these increases in aid have not been able to significantly transform the system's effects.

In its consideration of Justice Smith's 1978 decision, the Appellate Court reviewed all changes in the school aid statutes through the 1980-81 school year and requested both plaintiffs' and defendants' interpretations of the changes. The majority opinion read:

> ....in affirming the great majority of Trial Term's findings, we are convinced that the intervening statutory alterations have worked no substantial change in the substance of the conditions found by the court. If those conditions sufficed to render the educational finance structure constitutionally deficient, legislative amendments have not cured the malady.

There are many reasons for the system's lack of progress. Inflation eats up the great majority of all increases and legislators' sensitivity to this fact requires them to distribute aid for other than equalization purposes; districts need help to cushion the impact of rising costs.

Meaningful progress in equalization is costly. The state's overall share is almost currently 40 percent. The Task Force and most reformers believe that equity will require the state to share with localities a larger--if not equal--portion of educational support. But each percentage point increase in the overall state share now costs about $107 million.

The state also has many urgent and competing local aid burdens, including welfare and Medicaid which are consuming an increasingly larger slice of the local aid dollar.

Evidence that the increases in aid have not substantially altered the basic spending disparities or problems in the formula is abundant. Only the basic impacts on spending disparities of the faulty system will be sketched here. In the following chapter and throughout the recommendations sections in Volume Two and Three, Task Force analyses of ailments and remedies in the school aid structure will be presented.

A look at the very ends of the spectrum provides an example, admittedly extreme, of how the current system malfunctions. In 1974-75 the state's highest spending district spent $4,004 per pupil and the lowest $785, a ratio of 5:1. In the 1980-81 school year, the respective figures are $10,112 for the highest spending district and $1,103 for the lowest, a ratio of more than 9:1.

Among the largest proportion of districts, disparities also grew. In 1974-75 the per pupil spending of the district at the 90th percentile of spending was $1,820 and the per pupil spending of the district at the 10th was $978, a ratio of 1.4:1. In 1980-81, the per pupil expenditure of the district at the 90th percentile was $3,560 and the spending of the district at the 10th had increased to $1,763, a ratio of 2:1.

Variation in district wealth is the principal source of variation in district spending. In 1978 the average wealth--as measured by district full valuation divided by pupils in average daily attendance--of the highest spending decile of districts (a decile is a group of districts containing one tenth of the state's student population) was 3.3 times greater than that of the lowest spending districts. In 1980, the wealth of the top decile in spending was 3.6 times greater than the lowest decile.

A cursory review of the distribution of state aid to the intervening districts in 1981-82 also demonstrates the inequities of the current system. An April 1981 State Education Department study, calculating the proportions of higher cost students with special educational needs revealed the following proportions. The study showed that 35.8 percent of the state's pupils are enrolled in the intervenors' districts. Some 58.1 percent of the state's students scoring below the minimum standard on PEP tests, Pupils with Special Educational Needs (PSEN), are in the intervenor districts; of the handicapped 45.2 percent are in the four city districts as are 86.8 percent of the state's enrolled bilingual students. Despite this population size and the large concentrations of high cost disadvantaged students, the intervenors' share of the operating aid is 32.9 percent this year.

Task Force research also confirmed what the court stated. There is a correlation between dollars spent and quality of education received. Higher expenditures enabled districts to strengthen their instructional programs and to increase the quality and number of professional staff. Lower expenditures deprived districts of instructional advantages and forced them to spend a larger proportion of their operating expenditures on apparently fixed, non-instructional costs.

In addition to the inequities of wealth-driven expenditures disparities, the state's inadequate support for special needs pupils and its inadequate measure of local fiscal capacity stood out as major failings. As a result, a few overriding goals emerged from Task Force deliberations.

The basic equity goals of the Task Force were four-fold. All agreed that the spending gaps in the system were excessive and unfair. They should be narrowed and an adequate level of basic educational support should be guaranteed all children who are not now receiving it.

Task Force members also agreed that the fact that these gaps are determined by local district wealth is an inequity that the state must work to eliminate. To equalize the fiscal capacity of school districts was another central goal. If gaps are allowed to exist, they should not be determined by local wealth, rather by local need and possibly by local preferences, if accompanied by local tax effort.

The third basic goal shared by all Task Force members was that the state must provide more adequately for the individual needs of different school children. Equity implies meeting unequal needs unequally. Throughout the state are children whose educational needs differ from the average. There are children in rural areas as well as in cities living in isolation and poverty who require compensatory programs to have an equal educational chance. In all districts there are children with special intellectual or creative gifts who need especially challenging programs. Children with various handicapping conditions also require higher cost programs so that they may take advantage of their educational experience. The Task Force recognizes that, in the area of special needs, the state has recently made progress. Its research showed, however, that there are still many students overlooked and others for whom needed programs are inadequately funded.

The fourth basic goal on which Task Force agreement existed concerned the way the state measures district wealth. All Task Force members believed that the current system does not measure accurately the true ability of districts to support schools and therefore does not reliably gauge a district's entitlement to state assistance. Generally, the Task Force felt a more sensitive comprehensive and dynamic measure would serve better.

Despite its belief that there is need for significant reform, the Task Force found valuable policies in the present educational system in New York State. It believes that the state's tradition of state-local sharing should be maintained; local autonomy is a source of high levels of support, both educational and financial, and it should be respected although lower spending districts should be encouraged to improve local support for schools.

The Task Force believes certain recent legislative efforts have been pointed in the proper direction, for example, the increasing of expenditure ceilings and of weights for pupils with special educational needs, the attempts to improve the wealth measure and the diminishing of the role of flat grant and save harmless. The time has now come for a comprehensive and wholehearted response to the rulings of Levittown.

II. SUMMARY OF RESEARCH

Underlying the policy recommendations of the Task Force is a substantial compilation of school finance research. In its comprehensiveness, the research has given the Task Force and public a systematic, investigative approach to the problems, alternatives, and likely outcomes of its recommendations. Guided by the Levittown decision and other issues germane to school finance reform, the research has dispelled old myths, particularly concerning rural education, and provided new information previously unavailable, such as about municipal overburden. Often it has provided evidence to substantiate what was formerly suspected but never documented. The Task Force research has been summarized in this chapter by the research teams.

STUDENT NEEDS

1. Study on Special Pupil Needs

James M. Gaughan, Richard J. Glasheen, Robert E. Lamitie
N.Y.S. Education Department

The purpose of this study was to consider alternative approaches and make specific recommendations for funding programs for pupils in need of compensatory education, including those not yet able to profit from instruction in the English language. Central to this study was an estimate of the number and type of special need students and a determination of the relative cost of delivering educational services to meet their needs.

The study's staff collected and analyzed information contained on computer files, forms, and reports of the Education Department. In addition, twelve districts were visited to obtain a deeper understanding of the funding and operation of compensatory education programs and bilingual programs at the local level and to analyze the actual cost of providing Special Pupil Need Programs.

Ultimately, the estimates of student needs were based on a three-pronged criterion: an accurate measure of student need; available, accurate and standardized information on these needs; and a stable measure which would not prevent excessive shifts in aid from year to year.

An examination of test data which is used to estimate the number of students in need of remediation found that different tests yield very different estimates. Preliminary data from new state tests, such as diagnostic tests for elementary students, the Preliminary Regents Conpetency Tests (PRCT), and the Regents Competency Tests (RCT) for secondary students, determined that more students require remediation than have been identified previously because the new tests impose higher standards.

Comparing test data in a sample of 57 districts, the study found that the 1974 and 1975 data used for the Pupil Evaluation Program (PEP) underestimated the number of pupils requiring service. Moreover, the use of the more recent 1976 and 1977 information resulted in even lower estimates of pupils in need of compensatory services.

Since preliminary data on the new state tests indicated that more pupils will require remediation, the study concluded that the use of the more recent 1976-77 data, and socioeconomic data, would be inappropriate. Thus, the estimate of student need should be based upon a three- or four-year moving average, using the new state tests now being introduced. This will reflect district need and prevent excessive yearly variation in the amount of aid awarded districts. For the present, the estimate of district student need should continue to be 1974 and 1975 PEP averages.

The vast majority of Limited English Proficient (LEP) pupils are found in New York City. However, the need for an accurate estimate of their numbers is not as critical as with PSEN, since aid should be based on pupils actually served in approved programs.

Meeting State Mandates

The study found that districts respond to the regulations governing compensatory services in various ways. Overall, about 68 percent of remedial services are provided through federal Title I and state PSEN programs. City districts rely more heavily on other programs since 43 percent of the students served were neither in Title I nor PSEN programs. By and large, small cities were funding a larger proportion of their special programs outside federal and state aid than large cities were.

Cost

The study found that among the districts sampled, expenditures were generally higher for Special Need Programs than those reported on state forms. Site visits confirmed that costs were 17 percent greater than the districts had reported.

The extra cost for all Special Need Programs in the selected districts ranged from 18 to 133 percent. The average per pupil cost for the total Special Pupil Needs Program was 37 percent above the cost of the regular program. This is greater than the 25 percent provided by the present formula.

The study analyzed cost data for bilingual and English as a Second Language (ESL) programs in five districts. The average cost for bilingual/ESL programs was 33 percent greater than that for the regular program, which is greater than the PSEN weighting in the present formula. The extra cost reflected a single service. If a Limited English Proficiency (LEP) child received multiple services, as was found to be the case, the extra cost of a LEP child would be greater than indicated by the study's findings.

The study developed a theoretical "extra cost of teachers" approach which can be applied to individual districts and to the state guidelines for Title I and PSEN programs. It was found that the extra cost per teacher for one special need program was between 18 and 30 percent greater than teacher costs for the regular program. The extra cost for teachers was 18 percent

in reading and mathematics, 24 percent in writing, and 30 percent for bilingual and English as a Second Language.

If a pupil required two services, which often occurs, the theoretical average cost would range from 36 to 42 percent for PSEN programs. A LEP pupil receiving two services would have a theoretical extra cost ranging from 48 to 60 percent, depending on whether the second service provided was a bilingual/ESL service or a remedial program in English. The theoretical costs of Special Need Programs clearly indicate that the weighting (0.25) provided by the present formula is too low.

Alternative Approaches

The study considered three basic formula approaches: (1) uniform grants, (2) excess cost formulas based on program budgets, and (3) weighting formulas. The staff considered additional adjustments to these basic forms of allocation, including a concentration adjustment, and the secondary school pupil weighting.

(1) Formula. The state should continue to use an equalized formula with weightings. It promotes fiscal equity and reflects the need for each local district to provide services to special need pupils, while recognizing district wealth. Excess cost formulas would require a substantial increase in district paperwork and state oversight and would also be disequalizing. The formula should provide separate weightings for PSEN and bilingual/ESL pupils. The additional weighting of pupils should be included in the wealth measures so as to reflect the fiscal ability of districts to provide Special Needs Programs.[1]

(2) Concentration Aid. New York State already provides indirect assistance for the concentration of special need pupils by weighting such pupils when determining district wealth. This should continue.

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[1]Chapter 53 of the Laws of 1980 has enacted this principle in regard to the Excess Cost Formula for handicapped pupils. Weightings for such pupils are used in calculating both district wealth and aid payments.

(3) Secondary School Weighting. The decision to continue or eliminate the secondary school weighting appears to be primarily based on a value judgment about whether the state's fiscal resources should be targeted more toward elementary or secondary school programs. The distinction in weighting between secondary and other PSEN students appears inappropriate and inequitable. The PSEN weighting should be additional to the secondary weighting.

Recommendations

I. Aid for Pupils with Special Educational Needs (PSEN):

- o Increase the PSEN weight from .25 to .35.
- o Provide PSEN secondary school pupils with the full secondary weighting of 0.25 rather than the present weighting of 0.15[1].
- o As soon as data are available, develop a simple method of using the results of the new state tests in estimating district need. Meanwhile, continue to use the average of the 1974 and 1975 Pupil Evaluation Program Test results as the estimator of district need.

II. Aid for Children with Limited English Proficiency (LEP):

- o Provide bilingual education aid with a weighting of 0.40. This weighting and aid would be completely separate from PSEN. After a student no longer needs services provided from bilingual aid, he could still qualify for PSEN services.

III. Accounting:

- o Improve accounting for the costs of PSEN and bilingual aid services by issuing revised instructions for using the existing PSEN account and by establishing a new bilingual education account with similar instructions.

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[1]This recommendation was enacted in Chapter 53 of the Laws of 1980.

IV. General

- o The state should continue using weighted pupils in the calculation of district wealth, and continue to use equalization formulas to distribute state aid for Special Pupil Needs Program.

- o The state should continue its efforts to have federal Title I rules and regulations simplified to permit greater flexibility in program approaches.

- o Further study should be given to rewarding districts for improved results on tests.

2. Gifted and Talented Education: a Recommendation

James E. Shea
N. Y. S. Division of the Budget

The purpose of this study was to review and ascertain the degree of commitment made by some states (including New York), local school districts, and the federal government, in establishing and funding unusual programs for our intellectually gifted and highly talented students.

In particular, an analysis of this data would enable the Task Force to determine and compare gifted activities in New York State in relation to national trends and accomplishments in order to facilitate the development of recommendations.

An examination of the literature, including state plans for gifted education, guidelines published by the State Department of Education in Washington, D.C. and the research studies were used to compile data on the status of gifted and talented education. In addition, the Survey of Education of Gifted Students in

New York conducted by the State Education Department in 1978-79 indicated the type and number of gifted programs and the major problems facing school districts concerning this issue.

A few states have been successful in developing model programs, producing curriculum and identification materials, and providing facilities for teacher training to encourage local school districts' initiatives. For the most part, these efforts have been sustained over the years, but funding has not always been consistent in every state. A summary of the major activities among states is as follows:

- o California: For the last three school years, the funding levels for gifted education have been approximately $15.0, $13.4, and $14.5 million. Initial funding began as early as 1958 with a three-year initial gifted and talented study.

- o Connecticut: For the 1980-81 school year, 121 districts out of 165 had state approved gifted and talented programs and spent $4,200,000 provided by the state. Initial funding began in 1968.

- o Illinois: The funding levels in Illinois have fluctuated over the years, down to $2,600,000 for 1976-77, but for fiscal 1981, the Illinois General Assembly granted $6,500,000. A special study project was begun in 1959, culminating in the adoption of the Illinois Plan in 1963 with a $6.75 million appropriation.

- o Pennsylvania: For the 1976-77 school year, the legislature approved $20,000,000, and for the 1980-81 school year, the sum was adjusted to $30,000,000. This effort was spurred by a court decision which declared that the rights of gifted students to a proper education (due process) were not being fulfilled under existing legislation covering gifted students.

The history of funding for the gifted and talented is short-lived in New York. Since 1976-77, some school districts have received modest funds from federal sources. As late as 1981, not a great deal more federal aid was distributed even though

a new law and federal office had established a larger federal presence. About $1 million came to New York. Similarly, the state has provided little funding for gifted and talented. Prior to 1980, state monies were distributed through competitive grants, wherein districts competed with one another for up to $750,000 in total aid. In 1980, and again in 1981, state aid for the gifted and talented doubled for a total of almost $3 million.

Task Force Considerations

The argument calling for a precise and universal definition of giftedness before funding can commence is not acceptable. Neither is it incumbent upon the Task Force to define the term. Enough evidence is present to indicate that schools can satisfy the gifted segment of their population with innovative and creative approaches. Local school districts are using federal and state quidelines and other published information to screen and identify their students for local programs. It is more than appropriate that local schools comply with federal and state policies in a general sense, but the ultimate decision of program design and classroom make-up should be determined by local school district personnel. Since inherited ability and motivation are not the same in all gifted children, local schools should be responsible for identifying and meeting their special needs.

However, the range of eligibility for gifted and talented programming needs to be addressed. The percentage and mix of the student population identified for gifted education programs will cause variations in statewide costs. For example, if emphasis is on high intelligence and outstanding academic aptitude, the percent of school population (K-12) identified for these programs would probably not exceed three percent and statewide costs would not be excessive.

For another example, those preferring to give other children chances to demonstrate and improve their artistic abilities would appreciate a broader classification of gifted and talented characteristics within the definition. Such an approach would encompass about five percent of the school population (K-12), involving a slightly higher level of state spending.

Recommendations

The state would share at the operating aid Tier I aid ratio in the cost of providing special programs for three percent of the children in active enrollment in each district, and such aid ratio shall not be less than 25 percent. The formula is as follows:

Aid = 3% of Active Enrollment x $250 x Tier I Aid Ratio
(State Share: 49%)
(Minimum Share: 25%)

Cost = About $12,500,000

In cost terms, it is approximately equivalent to adding a .125 weighting for gifted students to the basic operating aid plans which have been discussed by the Task Force.

Optional: If a school district wishes to participate and receive the money, it must file a district long-range plan (three years) and describe the program goals and selection process.

The Training Component:

The chief school officers also indicated in their responses to the gifted survey that a shortage of qualified staff was another formidable obstacle. One major prerequisite to future funding of gifted programs should be based upon the quality and training of educational personnel who are to be involved with gifted children.

There are some outstanding consultants who can provide proper and thorough training for teachers and administrators who wish to participate in this endeavor.

At the present time, there exists a network for training personnel. By using BOCES centers and other facilities, the training process becomes easier to manage, less cost is involved, and more educators can experience and profit from these sessions.

Cost = $1,000,000.

Funding can be very flexible, depending upon effort and demand.

3. Average Costs of Public School Programs by Grade Categories

Robert E. Lamitie
N.Y.S. Education Department

The purpose of this study was to identify the average differences in costs per pupil between elementary and secondary public schools, and between grades K-3 and 4-6 in New York State in the school year 1978-79. Using data on all professional employees of the public schools of the state, and their corresponding salaries and assignments, estimates were made of the differences in grade level costs. Because the cost data were not always available in a form which conformed to the needs of the study, it was necessary to estimate the grade level costs and staffing associated with ungraded classes, mixed classes, PSEN and Title I Programs.

Based on these estimates, the 1978-79 state average cost per enrolled pupil was $2,276 for grades K-3, $2,255 for grades 4-6, $2,266 for K-6 and $2,729 for grades 7-12. The average cost per full-time enrolled pupil was approximately 0.9 percent greater in grades K-3 than grades 4-6, while the average secondary cost was 20.4 percent greater than for the elementary grades.

The extra cost found for secondary students can safely be regarded as an under-approximation in light of other cost differential information which was not available for the study including the cost for the operation and maintenance of buildings. PSEN and Title I funding for secondary students was conservatively estimated. A less conservative estimate would have resulted in a greater difference between the average cost of elementary and secondary pupils.

The estimated number of full-time equivalent professional staff members per thousand pupils was 63.0 in the secondary grades and 53.0 in the elementary grades, a difference of 18.9 percent. The higher costs of secondary programs are primarily due to larger ratios of professional staff members to pupils than in elementary schools.

The study concluded that the costs per full-time enrolled pupil were substantially the same in grades K-3 and 4-6, and that the average cost of secondary pupils was more than 20.4 percent greater than elementary pupils.

4. A K-3 Weight: The Rationale and Alternative Ways to Use the Extra Funds

Eleanor R. Odden
Education Commission of the States

This study asserts that extra resources provided in the early grades, K-3, are most effective in promoting greater achievement in basic skills. It surveys instructional techniques, effective remediation programs, and recent research on effective teaching.

Although remedial reading programs will always be needed, the history of failure that precedes a student's receiving remedial instruction is sufficient reason for making every effort to help students acquire reading skills when they are introduced in grades K-3. The federal TitleI program provides extra assistance to low achieving students in low income areas and New York State's PSEN program provides additional funds for students needing remedial services. What the recent research on effective teaching and class size suggests is that rather than expanding special programs for identified students, significant intervention at regular classroom level can help all students if teachers are assisted to become more effective or if class size is reduced sufficiently.

Remedial programs should always be available for students who need them in the upper grades. But putting additional resources into efforts to increase achievement in grades K-3 will help to increase the number of students with a history of success in school and thereby reduce, in the long run, the level of services that will have to be targeted for upper grade remedial programs.

The rationale for putting extra resources into grades K-3 as the most effective way to raise reading achievement is based on the following points:

- Grades K-3 are the grades where reading instruction and materials are designed to teach students to learn to read. An all-out effort at these grades will reduce the number of students who experience failure in later grades where reading is a tool for learning rather than the focus of learning.

- Current programs which offer remedial service in effect are required because of failure in the early grades. Remedial programs take an emotional toll on participants as they are short-term--one period a day--and during the rest of the school day most remedial students are failing. While remedial programs are necessary, it makes sense to make every effort to reduce the number of students requiring remedial services at upper grades.

- Current research on effective teaching suggests that variables such as classroom organization and management, time on task, and the amount of success students experience, are associated with high achievement. A class size of below 18 also makes a significant difference in achievement. The power of this research is such that an emphasis on effective teaching at grades K-3 appears to have the potential for helping all students to achieve up to the potential.

- Various interventions at grades K-3 to increase achievement are possible. These include: the use of instructional aides, a variety of materials, reduction of class size, in-service training on effective teaching practices, the use of educational consultants, and K-3 resource programs.

5. Basic Education in the Primary Grades for All Children: What Is It and How to Ensure It
N.Y.S. Education Department

The Education Department has recently conducted extensive research on improving the quality of early childhood education (i.e., in prekindergarten and the primary grades). Based on this research, the Department should develop an intensive program for the primary grades (K-3). Such a program could be implemented through the Department's systems of curriculum development, technical assistance, monitoring, and inservice training, and would not require further mandates. This intensive K-3 program would require schools to make changes in three areas.

Recommendations:

- Screening and individual attention: All preschool children should be screened, and those who will need special help learning the basic skills should be identified. Screening and identification would be based on the principle that some primary grade children will require individual attention, because learning rates vary tremendously during these early years.

  Existing instructional management programs--with adaptations based on experience--could be expanded to primary grade programs throughout the state. The State Education Department should ensure that schools have both systems for efficiently and effectively managing individualized instruction and ways of measuring the time which students spend actually learning.

- Teacher Training: Every primary grade teacher must be able not only to diagnose student needs throughout the year, but also to provide for widely differing abilities within a single classroom. Inservice training to familiarize teachers with the required techniques should be given priority as a key part of the inservice training provisions.

- o The role of the principal: The principal of the elementary school is in the best position to determine whether a change in curriculum and classroom practice is taking place. To ensure that these changes are effective, the Education Department must increase and coordinate the training of principals to observe classroom practice and to help teachers effectively manage instruction for all their primary grade pupils. The Department should provide in-service courses in which elementary school principals who use effective observational techniques in their schools would show other principals that it is possible to cope with the paper workload and to monitor the quality of classroom instruction on many different levels. The principal, thus trained, would be able to determine the extent to which desirable changes are actually occurring on an everyday basis.

FISCAL CAPACITY AND OVERBURDEN RESEARCH

1. The Fiscal Capacity of New York School Districts

E. Kathleen Adams
Education Commission for the States

Measuring school district capacity is a complex task. It is particularly difficult in the context of an equalizing formula where the use of different measures of fiscal capacity inevitably results in different amounts of aid received. The Task Force examined the topic of fiscal capacity quite carefully. What follows is a summary of the research it reviewed.

Composition of District Property Wealth

There are many characteristics of a district that affect its ability to raise tax revenues, or its fiscal capacity. The traditional characteristic

is the assessed valuation of property located within the district. If property is accurately assessed, it is a good indicator of the ability of a district to generate tax revenues, particularly property taxes, over time. The property remains in the district, and tax burdens will initially fall on the owners of that property. In addition, the value of property is enhanced by the quality of public services provided, so there is some link between those who benefit and those who pay. If current homeowners' income were correlated with property values, and all school districts were composed primarily of residential property, assessed valuation would accurately reflect the relative ability of school districts to raise tax revenues. However, this is not the case. Homeowners who own very expensive property do not necessarily have high current incomes. Moreover, while the average may be high if a district is viewed in the aggregate, large numbers of low-income persons living in low value housing may reside there.

An additional and important consideration is the mix of non-residential property. Commercial property and property not owned by the residents can alter the true fiscal ability of districts. Because income generated by this property often is not earned by district residents, it shifts the property tax burden to non-residents as it allows residents to export some taxes outside communities. Thus, income or property wealth alone would not reflect all these effects on fiscal capacity.

Research Findings

- Property valuation and a measure of current income are needed to explain the differences in tax revenues raised by local districts.

- The composition of property value, in terms of residential and business property, also explained the differences in the amounts of revenues raised.

- Of the three income denominators studied, per return (a proxy for households), per pupil and per capita, only income per return

explained differences in locally raised tax revenues.

Recommendations:

- The use of a combination of property valuation with current income per return as a measure of fiscal capacity.

- Full valuation as currently used combines both residential and business components of the property tax by giving them equal weight. The research suggested that these two components be given different weights. However, accurate figures for the business and residential valuations are not available by school district at the present time.

- The research results further suggested the use of a combination of income and property valuation that was multiplicative rather than additive. Income and property wealth were found to be equally important in determining local tax revenues. The multiplicative adjustment is the most effective method of reducing expenditure disparities.

2. An Expanded Tax Base Study

Robert Lamitie, Richard Glasheen, Fred Bentley
N.Y.S. Education Department

This study explores an alternative method of equalizing school district fiscal capacity. Instead of providing state aid to supplement or correct the unequal property tax base of local school districts, the state could change the tax system so as to equalize the tax base. It investigates and describes the effects of a partial financing of schools with a state-mandated property tax with its receipts distributed within the county or region where raised. Three possible versions of this plan were studied. Each plan allowed the revenue from the state-mandated tax to be distributed only to the districts located in the county

or region where the tax was raised. All of the plans studied used present tax data for 1980-81 and could have been provided in 1980-81 at the same cost to the state as the operating aid actually provided.

Plan 1: Equal per pupil grants distributed to all districts within the county or region where collected, as a result of a state-mandated property tax. Additional state aid provided through an equalized formula. This plan would be added onto the present system, except that the new tax would replace, rather than be an addition to, a local property tax.

Plan 2: A uniform foundation program supported by state aid and by the receipts of a uniform state-mandated property tax. All revenue raised from the tax in a county would be distributed within the county. State aid would be based on county wealth and would be uniform throughout each county. Districts would be aided at the uniform, statewide foundation level, based on the county valuation per pupil. Thus, all districts could spend at the foundation level at the state tax rate. In addition, they could spend any desired amount above the foundation level by raising a local school property tax to cover such costs.

Plan 3: A compromise between Plan 2 and present law to illustrate that such a compromise would be possible at any level. The plan consisted of districts receiving half of their 1980-81 operating aid, including flat grants and save harmless plus a state equalized county grant of half the amount provided under Plan 2.

Research Findings

Plan 1: Would provide greater equalization of district wealth at the county or regional level than does the present system. Districts with wealth below the county or regional average would raise more revenue from the state-mandated tax than from a district tax. Districts with property wealth above the county or regional average would raise less revenue with a district tax than with the state-mandated tax. The plan would be particularly effective in counties such as Suffolk, with a wide range in district wealth. The plan's

major drawback was the lack of statewide equalization which would occur. The gain or loss in revenue for a district from such a tax would be largely a geographic accident. If this approach were implemented, the lack of equalized state aid would result in the state guaranteeing a different expenditure level in each county.

Plan 2: Would provide the greatest statewide equalization and would have a strong effect on reducing the tax advantage of districts with high valuations per pupil while reducing the disadvantages of poorer districts.

For example, the expenditure level supported under this plan in 1980-81 was $1,829 per pupil rather than the $1,700 per pupil supported at the same state cost under present law. The plan would make $402 million available for equalization purposes, because it eliminates flat grants and save harmless provisions, and the increased tax rates in some districts. The plan would lower the tax rates now required to support a $1,829 program in 87 percent of districts, and increase the tax rates in 13 percent. This is because the receipts of the first $12.93 of full value tax on the property in any school district would go toward supporting schools throughout the county rather than only toward the support of the schools in the district where the taxpaying property is located.

The feature of this plan that gives it such great potential for narrowing expenditure disparities may also be its greatest political liability. It would increase taxes in districts whose wealth is above the 87th percentile, and in other districts with operating tax rates lower than $12.93 per thousand. Under a plan based on equalizing up to the ceiling or foundation program level in each county, districts would enjoy the advantage of their high valuation only for taxes above the formula level. Tax revenues up to that level would be shared throughout the county.

Plan 3: Provided half the gains in equity that would occur under Plan 2. The ceiling supported would be $1,764 per pupil, as compared to the $1,700 per pupil supported by present law, or the $1,829 supported under

present law. Approximately $201 million more would be provided for equalization than under present law. Although the fiscal disadvantages of poorer districts would be reduced under this plan, they would not be eliminated . The reduction in the fiscal disadvantages of poorer districts would be approximately half of Plan 2.

Conclusions

o The partial financing of schools with a state-mandated tax and state aid based upon county or regional wealth would provide greater equalization of both the revenue raising ability and the expenditures of school districts than does present law, or than would a comparable increase in state aid appropriations under district formulas of the present type.

o None of the alternatives studied would completely eliminate the fiscal disadvantages of poorer districts. The greatest equalization would occur under Plan 2, which would provide a statewide foundation program based on a state-mandated property tax, and would distribute all operating aid on the basis of a single formula based on county wealth.

The plans studied possess some disadvantages which should not be discounted. The disadvantages of the plans include:

o Tax rates would increase or expenditures decrease in the wealthier districts. Tax rates would also increase in some non-wealthy districts with tax rates below the state-mandated rate. (In these districts, the higher taxes would be accompanied by substantially higher school revenues.)

o A state-mandated tax might be opposed since it would be considered a "new" tax with all of its implications. Additionally, if the plans were established in such a way that the counties actually collected the tax and distributed the aid, county governments might consider the collection and distribution of the tax as an onerous duty imposed by the state, and with which they were not instrumental in determining the rate or distribution pattern.

The advantages of the plans include:

o Under all of the plans, part of the tax on all of the taxable property in a county or region would be used to support the cost of schools throughout the county or region.

o All of the plans would provide a given degree of equalization at a lower cost to the state than would plans not involving an expanded tax base.

o Implementation of Plan 2 in 1980-81 would have totally eliminated the tax limitation problems of city school districts. Plan 3 would have greatly reduced such problems.

o The disequalizing effects of save harmless, flat grants, or limitations on increases in state aid would be reduced or eliminated.

o Local control over educational programs would be preserved. Districts could choose an expenditure level greater than the ceiling. Wealthy districts would continue to enjoy a fiscal advantage, although the advantage would be reduced.

3. Cost Differentials among New York School Districts

Wayne Wendling
Education Commission of the States

One of the four overburdens emphasized in the Levittown decision was the varying cost of delivering educational services. Accounting for differences in prices paid for educational services poses a difficult problem for educational finance because without such an adjustment, equalization of district expenditures results in unequal purchasing power among school districts. Thus, a state aid formula that does not consider variations in the purchasing power of the dollar does not equalize the ability of districts to purchase educational services. The Task Force researched a number of alternative solutions to this problem, and the results of this research are summarized.

Two approaches to this problem were proffered: (1) A cost-of-education adjustment, and (2) A cost-of-living adjustment. The former is less expensive to develop than a full cost-of-living index, but much more complicated to explain to the lay person. While the research conducted for the Task Force on the cost-of-education index used standard economic methods, its complicated statistical manipulations and data assumptions make it difficult for some persons to accept. This is true even in other states, such as Missouri, Illinois, California, Texas and Florida, where this type of cost index research has been developed for state policymakers.

As a result of the research that was conducted for the Task Force, two cost-of-education indices were calculated, a district specific index and a regional (labor market area) index. Both indicated that the price of a standardized education resource tended to be the highest in the New York City-Nassau-Suffolk areas. The district index also confirms that this resource is more costly in the upstate central city districts than in the surrounding suburban and non-metropolitan districts. The regional index values tended to be higher in the larger upstate metropolitan areas than in the nonmetropolitan areas, while index values tended to be lower in the smaller upstate metropolitan areas than in the nonmetropolitan areas.

A cost of living index was also examined. Although indices are available for New York labor market areas, it is very difficult to determine values for individual school districts. Moreover, it includes items only incidentally related to educational cost. While a cost-of-living index is relatively simple to understand, such an index would have been very costly to develop and maintain. The Task Force examined the impact of a simplified version of the cost-of-living approach, a public sector wage index, based on Census Bureau data which is available every five years, but adjusted yearly.

There are four issues that must be considered when selecting a method to adjust state aid for differences in the cost of resources across school districts. The first concern is data availability. This

eliminated the development of a full-scale cost-of-living index because of the difficulty involved in collecting the information needed. The remaining three issues are: the intuitive appeal of the index; its ability to focus on educational cost; and its ability to control for local educational preferences.

The full-scale cost-of-living index does not focus exclusively on educational costs, though it does control for taste and is easy to understand. The public sector wage index is also easy to understand but does not control for taste and is not primarily concerned with education. The cost-of-education index is concerned exclusively with education and controls for taste but its mathematical construction is very difficult to understand.

The second problem in developing a cost adjustment has to do with application. A cost index can be used to adjust state aid or the expenditure ceilings. Another approach, albeit less direct, might be to view cost overburden as a drain on the fiscal capacity of a school district. If it costs more to provide educational services, then school districts must tax themselves at a higher level in order to compensate for costs. Viewing cost variations in this way suggests alternative school aid adjustments based on tax effort and/or wealth, rather than actual cost differences.

The third aspect of cost differentials is that they are usually raised as a regional issue, i.e., that prices downstate and in certain metropolitan areas are higher than in upstate and nonmetropolitan areas. The regional cost of education index and the public sector wage index are regional factors since they adjust for differences in prices among the major labor market areas and the counties in the state, rather tha among neighboring school districts. Viewing education finance from a regional perspective raises a series of issues including price differences, wealth differences, and local choices regarding spending level differences. While a cost index may cover one aspect of these regional problems, regional wealth adjustments such as regional wealth sharing are other policy choices that can be considered under the regional umbrella. Even

the current high tax aid program, which targets most funds to downstate low wealth, high effort districts, could be considered to be a regional adjustment.

Conclusion

The research results indicate that school districts face significantly different costs for the same educational resource. The Task Force has reviewed a series of possible adjustments that address the cost differential problem. However, each of these adjustments has its advantages and its liabilities. As a result of the research, policy-makers are faced with two questions. The first is should higher spending (often higher wealth and higher tax effort) school districts be given additional state aid because of legitimate differences in the purchasing power of the dollar in their district. If the answer to the first question is yes, then the second question, the choice of a method of cost adjustment, determines how much state aid will be shifted to the higher cost districts.

4. A Study of Adjustments to the New York State School Aid Formula to Take Account of Municipal Overburdens

Jerry Miner, Seymour Sacks
Syracuse University

This study examined information related to municipal overburden in New York State, and, based on this examination, suggested adjustments in the school aid formula for municipal overburden. It included: the development of measures of local tax rates borne by residents of school districts for school and non-school purposes; differentiations between discretionary and non-discretionary components of local tax rates; a determination of whether local non-school tax rates systematically influence local taxes for schools; and an evaluation of the findings as regards their implications for "municipal overburden"--to suggest how the results could be incorporated into a school aid formula.

School and Non-School Tax Rates across Districts

Local school and non-school taxes and tax rates were estimated for virtually all school districts in

New York State. These estimated tax rates were then adjusted to allow for tax shifting. The basic notion here is that, as a first approximation, a high non-school tax rate indicates that a district has a disproportionately large need for local services. Averages of adjusted and unadjusted rates were tabulated according to whether districts were upstate or downstate city, suburban, or other districts.

The method used to allocate locally raised revenues to individual school districts was to create a "tax levying jurisdictional profile" for each school district for 1977. Then, the school district is assigned a portion of all of the taxes collected by each jursidiction's tax base located within the school district. This permitted separation of school and non-school taxes as well as property and non-property taxes, and the allocation was adjusted further to take account of tax exporting and importing. The main adjustments for tax shifting are to reduce tax burdens in school districts to account for local taxes that are paid by non-residents and for federal income tax deductibility of local taxes.

The findings from this portion of the study indicate that, in general, city residents do bear higher total and non-school local tax burden in relation to property valuation than do residents of suburban or other non-city districts. The analysis did not uncover evidence that districts which have higher non-school tax burdens systematically raise less local taxes per capita for schools.

Non-Discretionary Local Tax Rates

The issue of municipal overburden hinges not so much on the presence of high expenditures or revenues in city school districts in relation to their fiscal capacity, but on their "necessary" or "inexorable" nature. Rather than demonstrating great need, high observed tax rates may reflect a greater preference or desire for locally provided public services. Thus, the second phase of research determined the extent to which tax rates were affected by inexorable needs. The fundamental idea was that a portion of local taxes are non-discretionary in the sense that even if the taxable

capacity of a local government were quite low, it still would have to raise a minimum amount of revenue to meet the local costs of "necessary" or "essential" services.

Estimates of essential local revenue requirements (local taxes per capita) were developed based on the endemic socio-economic and fiscal characteristics of districts. The fiscal characteristics are property value and adjusted gross income per capita and the proportion of residential property. The need related characteristics include property density, percent AFDC, and relative costs of local government employees. These "non-discretionary" tax rates which constituted a measure of the tax rate on property necessary to provide "needed" local revenue, were compared with the estimates of actual or after-shifting tax rates developed in the first stage of research.

When analyzed according to type of school district, the estimated non-discretionary tax rates of cities were relatively higher than their actual rates or than the rates after adjustment for tax shifting.

Another indicator of relative non-school burden is the ratio of non-school to school taxes. High such ratios as found in city districts are presumptive indications of non-school overburden. However, a high ratio instead may indicate a strong preference for non-school services or a low preference for schools. Using estimated non-discretionary taxes, which controlled for preferences, the results do not differ. Consequently, this analysis supported the conclusion that the high tax burdens of cities are "inexorable" rather than "volitional."

Municipal Overburden and Local School Revenues

The Levittown decision affirmed the position that the high local non-school burdens of large cities lower their spending for school purposes. As part of this study, several tests of this premise were made. The approach was to see if local school revenues were negatively related to non-school tax rates.

None of the approaches used indicated that high non-school tax burdens depressed school revenues.

Nevertheless, these findings should not be interpreted as the result of a direct test of whether municipal overburden reduces the capacity of the six largest urban districts to raise taxes for local schools.

The conclusion, then, is that no evidence was found to support the court ruling that non-school tax rates cause school tax rates to be lower. This does not mean that there is conclusive evidence that local school taxes in large urban districts are not negatively influenced by their high non-school burdens. Rather, this analysis indicated that, in general, the response to high local non-school burdens in New York State is not toward lower school taxes but toward higher total local taxes and tax rates.

Municipal Overburden and the School Aid Formula

The finding that cities bear higher non-school tax burdens than the other districts does not imply that all city districts are more heavily burdened than all non-city districts. Some suburban districts were more heavily burdened than some of the city districts. Levittown, the major plaintiff in the suit challenging the system of school finance, is just such a district. Therefore, it would be inappropriate to propose that overburden aid be granted only cities.

The approach chosen to identify those characteristics of a district that are most closely associated with high non-school tax rates was premised on the finding that certain "need-related" characteristics are strongly associated with high non-school tax rates. Seven characteristics were used: poverty; property density, residential property, total population and change in population, percent minority population, and population density.

With regard to qualification for overburden aid, it was recommended that city districts, actually, and classified as, overburdened, be considered. As for non-city districts, only those whose need-related characteristics classify them as excessively burdened should be qualified for aid. This implies that high non-school burden in cities is a reflection of need, but in non-city districts high non-school tax rates

have to be accounted for by need-related circumstances before they qualify for overburden aid. The resulting group of qualified school districts includes 34 of the 62 city districts in the state and 55 non-city districts, of which 49 are in the suburbs of New York City and five are in suburbs of Buffalo.

The amount of school aid to be given to a municipally overburdened district cannot be derived in an obvious way from the characteristics of a district or the extent of its overburden status. The issue hinges on the extent to which overburden aid to school districts is intended to offset the higher non-school local revenues collected or needed.

5. Implementing the Urban Mandates of Levittown v. Nyquist: An Analysis of Alternative Approaches to Compensating for Municipal Overburden in the New York State Aid Formula[1]

Joel S. Berke, Margaret E. Goertz, Richard Coley, Thomas Ciano
Education Policy Research Institute

This study examines four alternative approaches to identifying and providing state aid to compensate for municipal overburden. It discusses three ways of identifying districts characterized by municipal overburden: the Big Five city districts; districts which meet a broad set of conditions associated with municipal overburden; and districts which have one or more characteristics related to municipal overburden. It then offers four ways of allocating aid for municipal overburden: a fiscal capacity measure based on total population; and three alternative socio-economic adjustments to the fiscal capacity measure identifying districts with municipal overburden characteristics.

The Big Five: Cities with More than 125,000 Population:

The four intervening cities (Buffalo, New York City, Rochester and Syracuse), and Yonkers, the other city with over 125,000 population, have a unique status in

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[1]This study was financed by the New York City Board of Education and the United Federation of Teachers.

New York State. They are the only fiscally dependent school districts. According to the state constitution, control of the school budget in these districts is explicitly assigned to the city budgeting authority. The city and its school district share the same tax base and the same constitutional tax limit. For this reason, school support is directly and adversely affected by municipal service demands.

Districts which Meet a Broad Set of Municipal Overburden Conditions: While the courts found the four intervening cities to be municipally overburdened, this ruling does not preclude the possibility that other districts in New York State may have similar difficulties in raising revenues for their schools. To find out whether any smaller cities, or older suburban districts, for example, could make a claim for relief from municipal overburden, similarities in fiscal and demographic conditions between the intervenors and other districts were examined.

To see whether any districts share these characteristics with the Big Five, a limited criterion was specified that districts must meet to be considered municipally-overburdened. Five factors taken from the research literature and the Levittown decision are used to identify such districts.

(1) high total tax rate--school and non-school--over 47 mills (statewide average, excluding New York City);

(2) high non-school to school revenue ratio--over 1.62:1 (75th percentile, excluding New York City);

(3) high population--over 25,000;

(4) high population density--over 1,000 per square mile; and

(5) high proportion of poverty population--over 24 percent.

In addition to the Big Five, six other districts meet all of these criteria. These eleven districts are:

Albany, Binghamton, Buffalo, Jamestown, New York City, Niagara Falls, Poughkeepsie, Rochester, Syracuse, Utica and Yonkers.

Districts which Have One or More Characteristics Associated with Municipal Overburden: A less restrictive and simpler approach to recognizing fiscal and demographic conditions that may contribute to municipal overburden is to use proxy measures. These measures can be used to describe or identify a cause of municipal overburden, an effect of municipal overburden, or both. This approach will broaden the group of districts identified as municipally-overburdened, and might identify some rural or suburban districts that share a characteristic, such as high poverty, with municipally-overburdened districts.

Or, finally, a more comprehensive set of causal factors of municipal overburden can be used to identify districts. Again, drawing from the literature and the Levittown decision, districts can be identified by characteristics that bear some causal relationship to municipal overburden--high concentrations of poverty, large populations, and population density.

Allocating Aid for Municipal Overburden

Four potential state aid formula adjustments to recognize municipal overburden are presented and evaluated in this section of the paper:

- Measuring fiscal capacity on a per capita basis to recognize total school and non-school service demands in the Big Five cities and in the eleven districts identified as municipally overburdened.
- Adjusting fiscal capacity to recognize high poverty concentrations in all districts with that characteristic.
- Adjusting fiscal capacity to reflect high non-school tax rates and poverty concentrations in all districts with those characteristics.

- o Adjusting fiscal capacity to reflect high population density, high poverty concentrations, and large population size in all districts with those characteristics.

6. Potential Effects of the Overburden Argument in the Funding of Rural Schools

David H. Monk, Kenneth A. Strike, Frederic H. Stutz, Cornell University

This study investigated whether overburdens, while different from those identified in urban schools-pose fiscal constraints on rural schools. The analysis examined the effects of small size, or population sparsity, and alternative measures of fiscal capacity on rural schools. The study also examined rural schools with respect to BOCES, and transportation services.

Research Findings

There appear to be overburdens associated with smallness of scale and sparsity: Small and sparse districts spend less on education than do medium-sized districts, and compared to districts spending at the same level, small and sparse districts spend less on instruction than do larger districts. As the same time, they spend more per pupil on transportation and more on BOCES services than larger districts. Moreover, taxpayers in small and sparse districts do not appear to be either low or high effort districts when ability to pay is measured in terms of local income.

Dis-economies of scale are reflected in higher teacher pupil ratios for small, sparse districts. The resulting small classes appear to be paid for by means such as the employment of few non-teaching professionals, low teachers' salaries, few incentives for professional advancement, and heavier use of low salaried paraprofessionals. It is noteworthy in this regard that smaller, more sparsely settled districts

have higher percentages of students falling below the state established levels of minimum competence than do larger, more densely settled districts outside the large cities.

Local revenues spent on transportation services are financed in ways that violate standards of taxpayer equity: Wealthy districts, despite the fact that they spend more local revenues per pupil on transportation than do poor districts, can do so by imposing lower tax rates. Moreover, small districts not only spend more local revenues per pupil on transportation but are forced on the average to impose higher tax rates than is the case for large districts.

There is considerable variation in BOCES participation among the smallest districts in the state. While a more refined analysis might support the rather plausible assertion that isolation is partly responsible for this variation, the analysis was not sufficient to establish this.

Small districts appear to have less flexibility in dealing with enrollment declines than larger districts. Enrollment declines appear to produce small class size and higher expenditure levels in smaller districts. This is possibly because small districts are unable to terminate positions in proportion to enrollment declines without cutting into their basic educational program.

Small and sparse districts tend to have recently experienced rapid increases in property values which are not reflected in income levels. Between 1974 and 1979 rural school districts' property wealth increased at twice the rate of larger, more densely settled districts. Such increases in wealth are associated with low spending levels, high teacher-pupil ratios, low starting salaries for teachers, and high failure levels on PEP tests. These trends are most pronounced for districts which are mostly rural.

General Recommendations

- The state should consider adopting more explicit enabling legislation and additional

financial incentives for small districts to consolidate their offerings and to share in the provision of selected services.

- The state should compensate rural districts for costs associated with small size and sparse population.
- The state should provide aid for transportation on an equalized basis, using an accurate measure of fiscal capacity.
- The state should explore ways of making BOCES centers and services more accessible to isolated districts.
- The state should explore ways of shielding rural districts from the effects of enrollment declines.
- The state should explore ways of protecting districts from the effects of temporary or otherwise artificial increases in property wealth.
- The state should rely more heavily on income as a measure of the ability of school districts to pay for educational services.
- The state should sponsor further research into the effects of various "rural overburdens" on the educational programs of rural schools and should work toward a definition of an adequate basic educational program for rural schools.

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